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PUBLIC SERVICE  
COMMISSION

September 28, 2012

Mr. Jeff Derouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

Re: Case No. 2010-00449

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case, an original and ten copies of the Smith Unit 1 Asset Cost Mitigation Report (sixth report) of East Kentucky Power Cooperative, Inc. ("EKPC"). This report is being filed pursuant to the Commission's Order of February 28, 2011.

Should you have questions or need additional information, please contact me.

Very truly yours,

A handwritten signature in cursive script that reads 'Ann F. Wood'.

Ann F. Wood  
Director, Regulatory Services

Enclosures

East Kentucky Power Cooperative, Inc.

Smith Unit 1 Asset Cost Mitigation Report

September 28, 2012 (Sixth Mitigation Report)

In accordance with the Commission's Order dated February 28, 2011 in Case No. 2010-00449, this report summarizes the status of East Kentucky Power Cooperative Inc.'s ("EKPC") mitigation efforts to reduce the balance of the regulatory asset through the sale of the Smith Unit 1 physical assets.

As reported in December 2011, EKPC has negotiated final settlement of all Smith Unit 1 contracts. The regulatory asset balance relating to Smith Unit 1 is \$150,909,639 at September 28, 2012. This balance includes expenses associated with marketing the assets and preserving the assets for potential sale.

EKPC's contract with its equipment broker expired on July 18, 2012. Now, EKPC is working through non-exclusive agreements with several equipment brokers and with the Boiler and Turbine OEM's along with the Smith Unit 1 Design Engineer to identify and screen potential purchasers. As of September 28, 2012, three hundred fifteen (315) inquiries regarding the assets have been received. Thirty-seven (37) of the inquirers have executed confidentiality agreements with EKPC, enabling EKPC to share technical information regarding the assets. Ten (10) of the thirty-seven entities who have executed confidentiality agreements are currently considered active prospects. Eight (8) active prospects have conducted meetings with the Original Equipment Manufacturers (OEMs) to further evaluate the technical suitability of the Smith assets for their individual projects. Eight (8) prospects have conducted site visits with their chosen EPC company and/or financial partner.

When EKPC met with Commission Staff on August 7, 2012, EKPC reported that interest in purchasing the Smith Unit 1 assets had increased. While EKPC has no new information to report to the Commission, EKPC remains engaged in due diligence activities with one US prospect and six international prospects. EKPC Staff, the US prospect, and the boiler OEM are currently engaged in substantive discussions; however, it is too early to tell if this avenue will prove productive.

EKPC is continuing to pursue the strategy of selling the Smith Unit 1 assets as a complete project. This strategy will continue as long as one or more active prospects are showing interest in purchasing all assets as one package. The options to sell individual components of the project and to dispose of the assets at scrap value are still available to EKPC and will be evaluated once efforts to sell the project in its entirety have been exhausted.